Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Required Report - public distribution

Date: 5/28/2003

GAIN Report #HK3019

Hong Kong

HRI Food Service Sector

Report

2003

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Report Highlights:
The Hotel Restaurant and Institutional Catering (HRI) trade in Hong Kong is well developed. Major corporations dominate the hotel and catering sectors but in turn provide a range of opportunities for small to medium sized enterprises supporting the industry.
Chinese cuisine maintains its dominance in the region despite Hong Kong's international image and the increasing numbers of mainland Chinese tourists ensure this trend will continue.
Consolidation of the importer / distributor network is assisting Hong Kong to maintain its role as a "gateway to China" for some products and improve overall efficacy of the market.
Hong Kong is almost totally dependent on imports for food, so opportunities will continue to exist but competition in the region will force U.S. exporters to be, more competitive, differentiate products with healthy and safe food messages and improved preparation efficiency for the catering sector.

Includes PSD changes: No
Includes Trade Matrix: No
Annual Report
Hong Kong [HK1], HK

I. MARKET SUMMARY

The Hong Kong Special Administrative Region (HKSAR) is a unique market given it's cultural history of Chinese heritage and British colonial influences. The population of 6.725 million (Dec.2001) are predominantly of Chinese descent (95%) with just over half a million foreign passport holders resident in the country.

About 50% of the population resides in the densely populated regions of the Kowloon Peninsula (30%) and Hong Kong Island (20%). The balance living throughout the New Territories and the surrounding islands. The relocation policies being implemented by the Hong Kong government have begun to see a shift in population to satellite towns, supported by rail links to the main business district. The average population density is 6,300 people per sq. km however, Hong Kong island and Kowloon districts are significantly more populated with 16,290 and 43,220 people per sq. km respectively.

Housing for most Hong Kong residents is in small apartments (300-700 sq. ft) with limited food preparation and storage areas which means people tend to shop on a regular basis for food products or eat out regularly.

Hong Kong is an expensive city in terms of cost-of-living. An August 2002 survey into living costs of expatriates ranked Hong Kong fourth most expensive behind Tokyo, New York & London.

The per capita GDP of Hong Kong is around US$24,000.

Employment in Hong Kong tends to focus around the service sectors with 32% employed in wholesale, retail, import/export, trades and hospitality. The unemployment rate for Hong Kong during 2002 rose to around 8% and is currently at 7.8%. The average household income is US$46,400 per annum and the average household expenditure on food is estimated at 26% with 50% to 60% of their food budget used for eating out.

Hong Kong's imports for food in 2002 totaled US$7.6 billion. US$5.5 billion was retained for local consumption and the balance re-exported. The majority of re-export trade goes to Asia-Pacific Economic Co-operation (APEC) countries as well as mainland China and the U.S.A.

Tourism is a major component of the Hong Kong economy accounting for about 5% of GDP. There were 16.5 million arrivals into the country during 2002. The majority (73.4%) from mainland China, Taiwan, Japan and South East Asian countries.

There are 692 hotels and boarding houses in Hong Kong with approximately 37,000 rooms. The average occupancy rate is 84%.

Hong Kong boasts approximately11,500 restaurants and other eating places, hence eating out is a way of life for many locals.

The institutional catering sector is predominantly handled by a small number of large groups who are generally aligned with the restaurant sector.

Hong Kong's Hotel, Restaurant and Institutional (HRI) sector is a diverse mix of local and international influences and represents a total market size in excess of US$6.864 billion being the total sales of all restaurant receipts in 2002

MARKET FACTORS

Hong Kong continues to undergo significant changes since the handover from British rule in 1997. The "One Country, Two Systems" model maintains the rule-of-law autonomy for the HKSAR and Hong Kong has continued to function as a significant trading economy.

The geographical and cultural links to mainland China and the relatively open border have fostered a "Gateway to China" focus for many businesses. This fact however, along with improving China infrastructure and recent accession to the WTO by China has facilitated greater competition for local traders.

A. Demographics

Population	
Total Population (persons 000s)	6,785
0-19 years	1,530
20-59 years	4,231
60+ years	1,024
Males (persons 000s)	3,315
Females (Persons 000s)	3,470
Number of births pa (000s)	47
Total Deaths per annum	33
Urban Population	
Percent	96%
Persons (000s)	6,496
Households	
Total Number of Households (000s)	2,094
Average Household Size	3.24
Education - persons 15+ with:	
Tertiary or equivalent	20.15%
Secondary	51.2%
less than secondary	28.4%

Labor Force	
Employed Persons	
Total (000s)	3,301
Males (000s)	1,908
Females (000s)	1,392
Occupation Profile	
Skilled White Collar (000s)	1,059
Clerical and Service (000s)	1,059
Production/Other (000s)	1,183
Household	
Income - (constant 2001 values) US$ Mean	$46,400
Expenditure - (constant 2001 values)	
US$s per annum	34.697
As % of Income	75%
GDP (constant 2001 values)	
US$ Billions	167
Per capita US$	$24,584
US$ Exchange rate HK$1 =	7.8

Source: Asian Demographics www.asiandemographics.com

B. Economy & Business Outlook

In recent years, the Hong Kong economy has suffered an economic turndown typical of most major cities. Economic difficulties and associated corporate downsizing in Hong Kong has caused rising unemployment and significant reduction in retail and restaurant business and all round decline in consumer spending.

In the February report of the Quarterly Business Tendency Survey carried out by the Census and Statistics Department of the Hong Kong Government, the restaurant and hotel sectors indicated an expected increase in business over the previous quarter with a decrease in the selling price of food and services.

The SARS[1] virus outbreak has caused a dramatic and immediate downturn in tourism and local socializing & eating-out habits. The hotel sector has reported occupancy rates at 5% and less at a time when rates are typically in the 80's. Restaurants are reporting record low receipts.

At the release of this report, the extent of the impact of SARS on the local and regional economy is still being assessed.

C. Imports & Re-export

Hong Kong has limited food production and is reliant on imports for most of its food and beverage needs.

The trading nature of Hong Kong has seen it develop as a hub for importing and re-export of global products destined for mainland China as well as for Chinese foods bound for foreign markets. The table below shows the balance of import / export trade in foodstuffs over recent years.

Imports & Re-export since handover

Foodstuffs Converted to US$M	1997	2001	2002
Import	9.8	7.7	7.6
Retained imports[1]	7.0	5.7	5.7
Re-exports	3.1	2.2	2.1

[1] Retained imports refer to imported goods which are retained for use in HK rather than being re-exported. The value of the retained goods is derived by subtracting the estimated import value of the re-exports from the value of imports The former is obtained by removing ab estimated re-export margin from the value of the re-exports
Source: Census & statistics Dep't - Hong Kong in Figures 2003

[1] SARS (Severe Acute Respiratory Syndrome). International transmission of SARS was first reported in March 2003 for cases with onset in February 2003. Ref: World Health Organization.

D. Cultural Traditions

Chinese food, in particular Cantonese style foods tend to dominate the restaurant sector. This is evident in that Chinese restaurants account for nearly 50% of the 11,500 restaurant in Hong Kong. In this sector, as in retail, food prepared from fresh, rather than chilled or frozen always demands a premium.

Western influences

The under 30's generation of local Chinese have a greater propensity toward western style foods and are more likely to experiment with non-traditional styles. The growth of western chains in fast food, coffee and snack and casual dining establishments has been evident. Several of the "traditional", large Chinese style restaurants have also adapted their menus to incorporate western influences in their dishes.

E. Tourism

Tourism is a major component of the Hong Kong economy accounting for about 5% of GDP. Of the 16.566 million arrivals into Hong Kong during 2002, 41% came from mainland China, 32% came from Taiwan, Japan and South East Asian countries. The USA, Europe, Canada, Australia and New Zealand account for about 17% however, arrivals from these western cultures has been relatively flat since 1997 while mainland tourism has increased by 53% in 2002 over the previous year.

Despite the propensity of the Hong Kong diners to be adventurous with their eating and to explore western menu choices, the high percentage of mainland tourists will continue to influence the overall market preference for Chinese style foods.

F. Healthy Eating

There is tendency for Hong Kong diners to eat fresh foods rather than processed, chilled, frozen etc. This is particularly the case for fish and to a lesser degree with other meats. U.S. companies should consider this in their marketing strategy.

Hong Kong consumers have become increasingly aware of food safety and nutrition. These issues have been used successfully as marketing points for various food commodities and specific products.

Organically grown foods have gained some interest but a lack of standards and consumer awareness in this area usually makes the higher price difficult to justify.

G. Genetically Modified (GM) Food Labeling

The Hong Kong government recently proposed a voluntary labeling scheme for GM food supplemented by mandatory pre-market safety assessment requirements. It will be running a public consultation on the proposal in the latter half of 2003. Given the length of time required for consultation, drafting of legislation, and 18 months' grace period for the industry to familiarize itself with the new requirements, the new legislation will not become effective prior to 2007. Since the government has dropped mandatory labeling off its agenda, it faces mounting pressure from Legislative Council members and green groups holding opposition views. Hong Kong retailers and food manufacturers however voiced support for the government's position.

H. Import Regulations

Hong Kong is a free port, there is no tariff on general imports. However, there is duty on liquors, tobacco, hydrocarbon oil and methyl alcohol. This is prepaid by the seller and included in the price, so it often goes unnoticed. As a guide, beer attracts 40% duty, wine 80% and hard liquor 100%. The Customs and Excise Department www.info.gov.hk/customs can provide detailed information about import duties.

Regarding other technical aspects of import restrictions, food intended for sale must of course be fit for human consumption. Products requiring import permits and health certificates include meat, milk and frozen confectionary. Although U.S. exporters do not need to register with the Hong Kong government, they may need to provide documentation such as U.S. Government health certificates to support an importers application. The Food and Environmental Hygiene department http://www.info.gov.hk/fehd administers the health and safety of food in Hong Kong.

For more information, consult the GAIN Report #HK2031; "Hong Kong, Food and Agricultural Import Regulations and Standards Country Report 2002" http://www.fas.usda.gov/gainfiles/200207/145783383.pdf

I. Internet

Several internet sites are operated in Hong Kong that support the restaurant sector. These include guides to find restaurants as well as on-line order and delivery facilities. Sites include:

Food Easy	http://www.foodeasy.com/
Dial A Dinner	http://smtp.halfkilo.com/dad/src/html/main/main.jsp
Hong Kong Eats	http://www.hkeats.com/

SUB-SECTORS

A. Hotels

There are 92 Hotels in the Hong Kong, many clustered in the Island Central and Kowloon districts. Hotels range from luxury 5 star to budget with most having two or more restaurants or other eating and drinking venues. The total number of hotel rooms is 37,132 with an average occupancy rate of 84%. Approved building plans for new hotels will bring the total number of rooms to 46,600 by the end of 2005.

The principal industry body representing the Hotel sector in Hong Kong is the Hong Kong Hotels Association (HKHA). www.hkha.org This organization was formed in 1961 and it's 81 member hotels constitute the majority of the industry. The government provides a searchable list of licenced Hotels & Guest Houses at; www.info.gov.hk/had_la/

A mature industry of importers, wholesalers and distributors forms the typical supply chain for the hotel sector. Purchases are influenced both by the suppliers offering products and by specification from the hotel. Hotels and boarding houses currently account for around US$208 Million of purchases of goods for sale, the majority of which is food and beverage products.

Hotels & Boarding Houses in Hong Kong - Basic Statistics

	Number of establishments	Number of persons engaged	Sales & other receipts	Operating Expenses	Total value of purchases of Goods for Sale
Hotels	92	24,435	$1,881.83	$765.62	$207.36
Boarding Houses	600	1,753	$50.83	$36.6	$0.42
TOTAL	**692**	**26188**	**$1,932.66**	**$802.22**	**$207.78**

Source: Report on 2001 Annual Survey of Wholesale, Retail & Import and Export Trades, Restaurant and Hotels.
By the census and Statistics Department, Hong Kong SAR Government.
2001 data
Converted to US$ Millions

B. Restaurants

Hong Kong boasts approximately 11,500 restaurants and other eating places. Eating out at western style restaurants is most common amongst the more affluent. Chinese restaurants cover all price ranges and tend to focus on particular regional Chinese cuisines. Business is regularly conducted over meals and at all times of the day and night.

Restaurants are broadly categorized into two groups; Chinese Restaurants and Restaurants other than Chinese with a smaller sub-category covering coffee shops, bars, fast food outlets etc.

Chinese cuisine is dominant, with half of the restaurants (5,520) in the region catering to this demographic however the balance of the sector is a diverse mix of tastes, cultures and levels of service.

There are several industry bodies representing the Restaurant sector in Hong Kong. These include:

Hong Kong Hotels Association, www.hkha.org
The Hong Kong Chefs Association, www.hongkong-chefs.com
Hong Kong Bakery & Confectionery Association,
Hong Kong Bartenders Association,
Federation of Hong Kong Restaurant Owners Ltd.

Restaurants account for around US$2.8 billion of purchases of food and drink products.

Restaurant, Bars and eating places in Hong Kong - Basic Statistics

	Number of establishments	Number of persons engaged	Sales & other receipts	Operating Expenses	Total value of purchases of Goods for Sale
Chinese Restaurants	5,520	108,275	$4467.79	$1,277.77	$1,588.71
Restaurants, Other than Chinese restaurants	3,684	57,422	$2214.21	$700.29	$694.60
Fast Food Shops	1,152	36,569	$1551.19	$628.95	$441.72
Bars	594	5,296	$242.60	$103.28	$66.72
Eating & Drinking places not elsewhere classified	603	4,214	$155.78	$54.05	$51.91
TOTAL	**11553**	**211,776**	**$8631.57**	**$2,764.34**	**$2,843.66**

Source: Report on 2001 Annual Survey of Wholesale, Retail & Import and Export Trades, Restaurant and Hotels.
By the census and Statistics Department, Hong Kong SAR Government.
2001 data
Converted to US$ Millions

C. Institutions

A small number of major players tend to dominate the institutional catering sector. Most companies approach this market in the following sub-sectors:

Educational
Health Care
Commercial and Manufacturing

D. Hospitals

The Hong Kong Hospital Authority is currently conducting a consultancy to assist in establishing a Public Private Partnership (PPP) in respect of Central Food Production for Hospitals. This outsourcing model is new for Hong Kong and provides a significant opportunity for the catering sector.

Staff canteens are outsourced on an individual basis.

More than 80% of Hong Kong hospital beds are in public hospitals, and another 15% in private hospitals. There are also a small number of beds in government clinics/maternity homes operated by the Department of Health and hospitals in correctional institutions.

In 2001, the total number of in-patients treated in hospitals and institutions reached 1.44 million, representing an increase of 71% over the past ten years.

E. Private Clubs

Hong Kong offers a well developed network of sporting, social and recreational clubs with varying degrees of facilities and hospitality services.

F. Airlines

There are three aircraft catering franchisees at the Hong Kong International Airport, each with a 15-year term, supplying more than 58 000 in-flight meals per day. The aircraft caterers provide a comprehensive range of flight catering services. These services include the preparation and assembly of flight meals, loading and unloading of food and other catering loads onto aircraft, and the storage of catering equipment and supplies.

I. Schools

There are 1385 educational institutions in Hong Kong providing schooling for 1.3 million students. Many schools provide a lunch box program for students. The typical lunch box consists rice or noodles with meat and vegetables. Healthy eating programs are underway to encourage a change in eating trends for school children. ATO Hong Kong has been actively involved with assisting Hong Kong authorities to develop nutritional and interesting alternatives to the current Lunch box choices in schools.

Summary of Institutional Food Sector in Hong Kong

	Number of establishments		Volume	Comments
Schools, Colleges, Universities	Primary Secondary Other Sch.	815 496 74	Student enrolment (000's) 483.2 465.9 384.9	School lunch boxes are commonly made available at schools for students. The typical lunch box consists of meat and rice. Healthy eating programs are underway to encourage a change in eating trends for schools.
Hospitals, Nursing & retirement Homes (HKHA)	42		1.44 million in-patients per year	The Hospital Authority has recently embarked on an outsourcing program for Hong Kong hospital catering.
Prisons	24		7,000 Staff 12,000 inmates	
Airlines	3		21.4 million meals per year	There are three catering companies with franchises at the Hong Kong International Airport
Conference & Convention Centers	50+		247 conventions and exhibitions involving 393,000 visitors. Average spending per visitor = US$1459	Major venue is HK Exhibition & Convention centre. Second convention center planned for construction at the airport.
Theme Parks & Tourist attractions	Ocean Park 18 tourism districts with 83 Attractions		3M+ visitors per year Total tourism visitors ; approx' 14million per year	Disneyland Hong Kong under construction, planned opening 2005
Private Clubs	30			Sporting and social clubs offer varying degrees of facilities and hospitality services.
Caterers	33			The ATO HK lists 33 catering companies in Hong Kong. The majority of the market is dominated by 10 companies detailed in a later section.

Notes:

Sources: ATO HK - Agricultural Trade Office Hong Kong
HK trade development council.
Discover Hong Kong
HK Correctional Services Department.

II. ROAD MAP FOR MARKET ENTRY

ENTRY STRATEGY

Entering the Hong Kong market with products suitable for the HRI trade can be handled in a number of ways. Certainly the end customer, the hotel, restaurant, institution or caterer has an influence on the selection of products or ingredients but are all very much guided by a network of reliable and trusted suppliers.

1. **Identify key players for the product/s** - ATO Hong Kong can assist with identifying and introducing potential stakeholders from end consumers to importer/distributors, commodity cooperators and regional business groups.

   Importer / distributors
   As discussed throughout this report, the majority of imported product is handled through a dedicated importer / distributor. Very few hotels, restaurants or institutions import directly. Several significant importer, distributor companies are listed in an earlier section. Importers and distributors tend to focus on specific categories of products and end markets. Research should be carried out to ensure the importer distributor selected is appropriate for your product. Sometimes multiple distributors are required to cover all market segments.

2. **Determine suitability to market** - some western foods are considered unsuitable for the taste preferences of Hong Kong consumers. Market testing maybe required prior to establishing a presence in the market. For more information, refer to GAIN Report #HK0056, "Hong Kong, Market Development Reports, Consumer Preferences for Western Foods in Hong Kong, 2000 www.fas.usda.gov/gainfiles/200009/30678162.pdf

3. **Communicate product benefits to end-users -** although distributors maintain the relationships with their customers, the end users assert influence over the buying decisions. It is important to directly educate all stakeholders as to the features and benefits of your product/s.

4. **Trade shows** - Hong Kong has an excellent reputation of hosting international trade shows. The food and beverage industry is serviced by several in Hong Kong and the region. Hofex and Restaurant & Bar are the most appropriate for vendors selling to the HRI industry in Hong Kong.

   Hong Kong

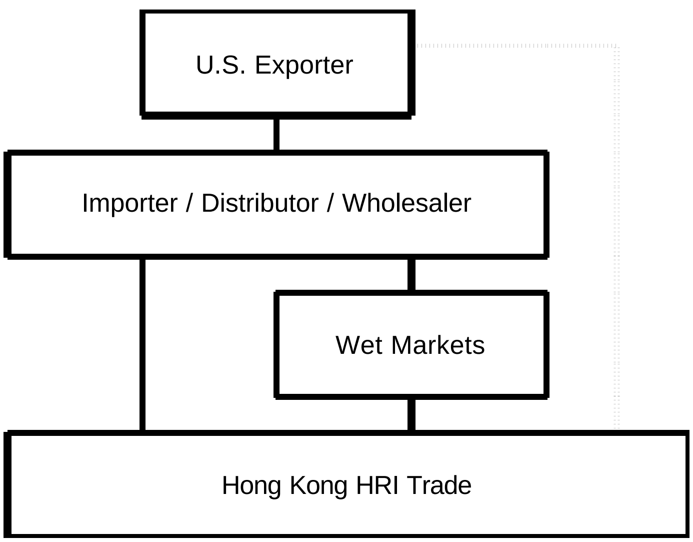
Hofex	www.hofex.com/
Restaurant & Bar	www.restaurantandbarhk.com
Natural Products Expo Asia 2003	www.naturalproductsasia.com
Food Expo 2003	www.hkfoodexpo.com

China
SIAL China 2000
Food Ingredients Asia 2000
Food Ingredients China 2000
Agriculture & Food Biotechnology
Hotel Shanghai

FAS Trade Show Calendar www.fas.usda.gov/Trade_Show_Calendar_2003.pdf

MARKET STRUCTURE

The market structure for Hong Kong typically involves a dedicated importer / distributor who deals with the U.S. exporter and maintains relationships with local resellers. Some special items are imported directly by large hotels and institutions but most tend to outsource the import burden.



A. Supply Chains

Hong Kong is a mature trading port and as such has developed a effective network of importers, distributors and wholesalers that support the HRI trade.

The majority of major food & beverage retailers and food service vendors use the importer, wholesaler, network as a means of supply, as distinct from directly importing products. Smaller traders also utilize the wet markets as a means of supply. Most major importer / distributors service multiple reseller sectors including HRI / food service, retail and wet markets.

ATO Hong Kong currently lists approximately 750 companies that fall under the category of importer, distributor or wholesaler. Many of these companies specialize in specific commodities and about 300 are small businesses. The table below details major suppliers to the HRI trade that service several categories. For information regarding specific category suppliers the ATO Hong Kong can provide additional information.

SUB-SECTOR PROFILES

Significant Importer, Distributor, Wholesalers

Dah Chong Hong Ltd.	DCH is part of the Citic Pacific Group. The Provisions Division of DCH, with over 50 years experience, is considered one of the premier distributors of frozen meat, chilled meat, frozen seafood, chilled seafood, frozen poultry, fresh produce, canned products, beverages, and other grocery products in Hong Kong and Mainland China. Products are sourced from internationally renowned suppliers in the USA, Mainland China, Australia, New Zealand, Brazil, South Africa, the Netherlands, Japan, Canada, the United Kingdom, France, Germany, Italy...etc. Distribution network of the Provisions Division covers wholesalers, supermarkets, provisions stores, hotels, restaurants, fast food shops, air caterers...etc. in Hong Kong and Mainland China. Recent investments include the establishment of transport and distribution logistics networks in mainland China.
Edward Keller	Edward Keller Hong Kong is member of the Swiss based Diethelm Keller Group, which is active on all 5 continents. The Diethelm Keller Group is a multinational conglomerate, which comprises a network of marketing, distribution and service activities with strong presence in Asia since 1887. Set up in 1923, the Hong Kong operation evolved into a leading marketing and logistics company in the SAR. Edward Keller Hong Kong enjoys a leading position in the following core business areas : Healthcare, Technology, Fast Moving Consumer Goods, Logistics and Third Party Logistics.
ETAK	Etak has been in business in Hong Kong since 1968. They are a full-service food distributor with inventory, cold storage facilities and their own refrigerated trucks. They concentrate mostly on perishables or non-shelf stable products. The company has over 500 active customers and sells a wide variety of fresh vegetables, fruit, meats, seafood and pastry as well as juices. Their business is split between HRI food service and supermarket supply. They also sell the two local aircraft caterers as well as directly to some institutions and the wet-market vendors. The company has a team of over 50 people all of whom are sales and service driven. Most of the Staff are multilingual speaking, English as well as Cantonese and Mandarin. The company performs all marketing functions including research, sales, merchandising, promotions and advertising and complete logistics and finance. Along with having contracts with all of the major Hong Kong supermarkets they enjoy their excellent reputation with hotels clubs and other restaurants. ETAK is affiliated with Paramount Export (Richmond, CA), and both well known with all shipping companies.
Four Seas Group	Four Seas was founded in 1971, specializing in the import, manufacturing, and marketing of food products. The company sources products from Japan, Taiwan, Korea, Australia, Singapore, Thailand, Sri Lanka, the United States, the United Kingdom, Canada, South Africa, the Netherlands, and Italy. Four Seas is listed on the Hong Kong Stock Exchange and is one of the largest and most established food enterprises in Hong Kong. For approximately 10 years the Four Seas group has delivered Japanese food to the People's Republic of China creating joint ventures between China and Japan. The Four Seas Mercantile Holdings company offers more than 4,000 kinds of products ranging from milk powder, candies, biscuits, snacks, chocolates, toy candies, soft drinks, ice-cream, instant noodles, soy sauces, seasonings, wine, beverages, hams, sausages, meat, seafood and vegetables.
JDH (Hong Kong) Ltd	Part of the Li Fung Distribution Group, JDH Marketing, Consumer Division specializes in the sale and distribution of fast moving consumer products. JDH Marketing (Consumer) have developed an unparalleled Pan-Asian network with over 150 years of local experience, an extensive sales force and in-country distribution networks in Hong Kong, Philippines, Malaysia, Taiwan, Thailand, China, Brunei and Indonesia.

Sims Trading Company	Since starting business in the 1960's the company Sims has established a presence in the key markets of China, Hong Kong and Macau. The acquisition of DCH Healthcare Products Ltd in December of 2001, created a larger and more diversified company. It has strengthened Sims' principal and customer servicing capabilities by adding full maker services for medical and pharmaceutical products, in addition to food, beverage and household products. Sims and its affiliated companies employ over 700 people in Hong Kong and in Mainland China. It manages more than 40,000 sq meters of ambient and refrigerated warehousing space and has a large fleet of delivery vehicles, it is also a leading provider of third party logistic services. Sims represents and distributes over 60 international brands of imported food, beverage, healthcare and household products. Sims directly services over 2,300 retail outlets including supermarkets, convenience stores, drug stored, dispensaries, provision stores and sub-distributors. Key accounts, such as Wellcome and Park 'N Shop supermarkets, DCH Food marts, 7-Eleven and Circle K convenience stores, Mannings and Watsons drug stores, all are managed by experienced account managers. Sims is a subsidiary of CITIC Pacific Ltd.

A. Restaurant & café Chains in Hong Kong

	Type of Food	Number of Outlets	Corporate Ownership	Local Ownership / Management
Starbucks	Coffee & snacks	35	USA	Operated by Maxims Catering
McDonalds	Fast Food - Burgers	208	USA	
Maxims	Chinese Restaurants / Chinese fast food / lunch boxes	360		Jardine Matheson / Dairy Farm
Café de Coral	Chinese fast food / lunch boxes	117	HK	
Deli France	Bakery, snacks	28	Singapore	
Pacific Coffee	Coffee & Snacks	31	Hong Kong	
Pizza Hut	Fast Food, pizza, local menu?	60	USA	Jardine Matheson / Dairy Farm
Outback Steakhouse	Australian / American style Steak House	3	USA	
Ruth's Chris Steakhouse	American Style Steak House	2	USA	
KFC	Fast Food - Chicken	45	USA	Bindland, HK
TGI Fridays	American Style dining	1	USA	
Jollibee's	Fast Food, burgers, fries & rice based meals	4	Philippines	

Banana Leaf Holdings	Fast Foods, Malaysian, Thai	3 + Banana Leaf Catering	**Hong Kong**	
Tony Roma's	American Style dining	3	USA	
Dan Ryan's	American Style dining	3	USA	
Hard Rock Café	American Style dining	1	USA	
Hardee's	Fast Food, burgers, fries	18	USA	Handeson
Olivers Super Sandwich	Fast Food Sandwiches / Salads			Jardine Matheson / Dairy Farm
Pret a Mager	Fast Food Sandwiches / Salads			
The Mix	California Smoothies & Wraps	3 - Four more stores scheduled to open during 2003		
Ruby Tuesday's	American Style dining	2	USA	
Epicurean	International	11	HK Chinese	
Kenny Rogers Roasters	American style - chicken	1	USA	
Harilela Group	International	7	HK Indian	
King Parrot	International	6	HK Chinese	
Elite Concepts	International	7	HK Chinese	
California Pizza Kitchen	American style pizza	1	USA	
Eclipse Management	International	7	HK Chinese	
Red Ant	Chinese	6	HK Chinese	
Grande	International	5	USA	
HKCEC	International	6	HK Chinese	
Igor's Group	International	3	Canadian	
Fairwood	Chinese	40	HK Chinese	

B. Institutional Catering Companies

Café de Coral
Café de Coral Group is the largest publicly listed Chinese Fast Food restaurant group in the world with over 200 outlets in Hong Kong, and over 200 quick service restaurants in North America. Among a total of over 400 outlets, over 120 outlets are operated under the household name of Café de Coral, whereas over 180 outlets are operating under the leading brand of Manchu Wok. Specialty restaurants include Spaghetti House, Bravo le Café , Super Super Congee and Noodles, Bistro M and Ah Yee Leng Tong, as well as the well-established institutional catering business under the tradename of Asia Pacific Catering. As of 31st March, 2002, Asia Pacific Catering managed 40 operating units in Hong Kong and Southern China, which include, 21 units in the health-care sector, 7 units in the educational sector and 12 units in the commercial manufacturing sector. Asia Pacific Catering further services catering contracts in the education sector include; Open University of Hong Kong, Hong Kong University of Science & Technology , Hong Kong Science Park and St. Stephen's Girls College. In the health-care segment; Queen Elizabeth Hospital, Ruttonjee Hospital. In the Southern China, institutional catering business they have progressively established a presence with a total of 4 operating units in Shenzhen and Guangzhou.
Fairwood Holdings Ltd.
Fairwood Holdings Limited. The Group's principal activities are the ownership and operation of canteens and fast food restaurants, institutional catering, speciality restaurants and investments in property. The Group operates a total of 96 outlets in Hong Kong, including 76 fast food outlets, 10 institutional catering outlets and 10 speciality restaurants. For the six months ended 30 September 2002, the Group recorded a turnover of HK$377,457,000, a decrease of 6% from the turnover of HK$401,691,000 recorded in the last corresponding period.
Banana Leaf Yummy Catering
Banana Leaf Holdings Limited commenced business in 1988. The group has established; Banana Leaf Curry House, Thaifarm Restaurant, Banana Leaf Asian Food Square, and Banana Leaf Yummy Catering Limited. The company specializes in servicing the educational sector.
Cathay Pacific Catering
One of three companies with a 15 year lease at the Hong Kong International Airport, Cathay Pacific Catering is a subsidiary of Cathay Pacific Airways. CPCS invested HK$1.6 billion to build a 50 400 sq.m. flight kitchen, which was designed to operate with an initial daily meal throughput of 55 000 meals, to be expanded to 80 000 meals per day.
Compasss Group - Encore Catering & Chartwells
Eurest specializes in contract catering with more than 47,000 facilities under contract in more than 40 counties including Europe, North and South America and Asia. Their sector focused operations include institutional feeding for hospitals, in-flight catering, schools and government facilities. They also provide custom catering services tailored to the individual needs of our clients. In many countries, clients include offices of international businesses and exclusive private membership clubs. Internationally they have contracts to provide food service to stadiums, amusement parks, attractions, museums, and expositions. In Hong Kong, they currently work with numerous government departments, hospitals, hotels and corporate firms. The Chartwells brand was launched in January 2001 to specialize in the educational food service market and is supported by Chartwells subsidiaries in Europe and USA. They are a significant supplier lunches to school children in Hong Kong.

Gate Gourmet	
Gate Gourmet, one of three companies with 15 year lease holdings at the Hong Kong International airport, is owned by Gate Gourmet Holding AG and is one of the company's units in the Asia Pacific region with its head-office in Bangkok. Gate Gourmet invested HK$382 million to build an 8 850 sq.m. facility which is capable of producing 10,000 meals per day.	
LSG Lufthansa Service Asia Ltd	
LSG Asia is owned by LSG Catering Hong Kong Ltd, Hong Kong Dragon Airlines Ltd, Hong Kong International Air Catering Ltd and China National Aviation Co (HK) Ltd. LSG invested HK$660 million in a 15 000 sq.m. flight kitchen which is capable of handling 30 000 meals per day. They are one of three companies with a 15 year leasehold at the Hong Kong International Airport.	
Maxims Group	
The Maxim's Group was established in 1956. It is one of the largest food groups in Hong Kong and operates over 320 outlets. Their business includes; Restaurants with Chinese, European & Fast Food Divisions, Cakes & Bakery, Starbucks Coffee, branded products, catering services with specialization in leisure, educational, healthcare, business & industry and Air-Catering. Maxim's serves around 60 schools with lunch boxes and has around 20% market share. They have centralized catering facilities in Aberdeen where food is cooked every morning, lunches are delivered to different Maxim's outlets across Hong Kong, for re-heating and further distribution to different schools.	
Sun Generation	
Sun Generation was established in 1984 and is one of the largest caterers in Hong Kong specializing in school lunch boxes, serving 140 schools (approximately 50% market share). They have invested HK$50 million (US$6.4 million) in centralized operation facilities (70,000 sq. ft.) in Tseung Kwan O. The facilities are capable of preparing meals for 4,000 persons per hour. The lunch boxes, after preparation at the centralized kitchen in the morning, are delivered to 12 "satellite kitchens" across Hong Kong for re-heating and further delivery to the schools in their respective districts. One "satellite kitchen" can normally serve the needs for 10-13 schools. Sun Generation employs 650 staff, 500 of them are working at the "satellite kitchens". Sun Generation also has a staff nutritionist designing menus for the group.	
Vitaland Services	
Vitaland is a subsidiary of the Vitasoy Group, Hong Kongs largest non-carbonated drink manufacturer.	

Sources: ATO HK - Agricultural Trade Office Hong Kong
Corporate data

III. COMPETITION

Appendix A details selected import statistics for Hong Kong showing the HS codes for food related products from major trading partners.

With respect to U.S. exporters, the Hong Kong market is under increasing pressure from supply sources in the region, in particular mainland China, Philippines, Thailand, Australia, New Zealand and others. U.S. suppliers have suffered a reduction in trade to Hong Kong over recent years in all but a few categories.

Fish and Seafood is the largest food category with no dominant supplier. Japan, mainland China and Australia collectively account for about 35% with many other small players supplying the market.

The red meat sector is dominated by U.S. suppliers with approximately 34% of the market. Trade has reduced steadily over recent years due to reduced consumption rather than loss of market to competitors.

Fresh fruit and vegetables are under most pressure from mainland China where methods and quality continue to improve.

Reduced marketing commitment by USDA cooperators in Hong Kong over recent years has reduced the awareness in the market of U.S. products and the benefits over competitors which has tended to affect the retail sector more than the HRI trade. U.S. exporters should promote their product benefits directly to HRI end users as well as through their importer distributor network.

Paradoxically, mainland China will continue to be a major competitor in the Hong Kong market yet it's increasing higher paid, higher educated demographic will at the same time increase the market opportunities for many U.S. products.

IV. BEST PRODUCT PROSPECTS

Products Present in the Market with Good Sales Potential

Being the mature and diverse market that it is, Hong Kong is a potential market for most products. As can be seen in the import statistics in Appendix A, the biggest food sectors are in seafood, meat, edible fruits and nuts and vegetables.

With respect to the HRI sector, there is continued emphasis on efficiency improvements and safe food. Bulk packaged, prepared items have potential for increased share and companies demonstrating recognized safe food handling standards are highly regarded in the Hotel and Institutional sectors..

Products differentiated by freshness, healthy eating etc. are well regarded. Fresh is always preferred over chilled or frozen.

Rice, a staple commodity in the market has recently undergone an abolition of import restrictions. The rice trade now operates on a fair market price environment and offers significant opportunities to U.S. exporters. Additional information about the rice trade can be found in the GAIN Report #HK3002 "Hong Kong Grain & Feed - Hong Kong Rice undergoes full liberalization"

Other opportunities continue to exist for eggs and dairy products, frozen vegetables and fresh produce.

Products NOT Present in Significant Quantities with Good Sales Potential

Because the HRI trade caters to a broad range of markets and tastes, it is difficult to identify specific categories of products that are not present in the market to some degree. Potential exporters need to consider the attitude of this market to western style foods. For more information, refer to GAIN Report #HK0056, "Hong Kong, Market Development Reports, Consumer Preferences for Western Foods in Hong Kong, 2000 www.fas.usda.gov/gainfiles/200009/30678162.pdf

Products NOT Present Because They Face Significant Barriers or Present But Face Difficulties

The same qualifier applies that most products are available in the market to some degree however, beyond the cultural barrier of changing eating habits, several groups of products face significant barriers in the market.

Wine currently attracts an import duty of 80%. Given that most wine supplied form the U.S.A. tends to be in the premium range, the duty rates widen the gap between these and the lower priced competitors.

Fresh fruit and vegetables are under increasing price pressure from competitors in the region, particularly mainland China. Differentiation relating to food quality and safety still holds with many items but continued product improvement and pricing is making the local product increasingly attractive.

V. POST CONTACT AND FURTHER INFORMATION

ATO Hong Kong Contact details

Agricultural Trade Office	Tel.	+852 2841-2350
American Consulate General Hong Kong	Fax	+852 2845-0943
18A, 33 Garden Rd.	email	ATOHongKong@fas.usda.gov
Central	Web Sites	www.USfoods-hongkong.net
Hong Kong		www.usconsulate.org.hk

Notes
All figures US$ unless otherwise stated. Exchange rate HK$1 = US$7.8

Sources
All government sources referenced in this document are The Government of the Hong Kong Special Administrative Region, Peoples Republic of China, unless otherwise mentioned.

Various industry stakeholders and ATO specialists were consulted in the compilation of this report.

Internet Sources

U.S. Government	Hong Kong Government
Agricultural Trade Office Hong Kong www.usfoods-hongkong.net	Hong Kong Government www.info.gov.hk
American Consulate Hong Kong www.usconsulate.org.hk	Census & Statistics Department www.info.gov.hk/censtatd/
USDA www.fas.usda.gov	Hong Kong Airport www.hkairport.com
	Correctional Services Department www.correctionalservices.gov.hk
Trade & Commercial	Tourism Commission www.info.gov.hk/tc
Hong Kong General Chamber of Commerce www.chamber.org.hk	Hong Kong Hospital Authority www.ha.org.hk
Asian Demographics Ltd. www.asiandemographics.com	First Choice Hong Kong www.firstchoicehongkong.gov.hk
Sims Trading www.simshk.com	Chinese University Hong Kong www.bch.cuhk.edu.hk/fns/fun-in-seven/english/about_us.html
ETAK www.etak.com.hk	
Dah Chong Hong www.dch.com.hk	
Edward Keller www.dksh.com	
Four Seas Group www.fourseasgroup.com.hk	

Appendix A

Hong Kong Imports — From the World — ---- From Individual Countries ----

HS Code	Description	January to December 2000	2001	2002	U.S.A.		China		Australia		Japan	
	Total	214305.41										
03	FISH AND SEAFOOD	1792.67	1621.25	1603.33	43.50	2.71%	198.58	12.39%	182.72	11.40%	177.58	11.08%
02	MEAT	1538.22	1441.26	1309.67	446.96	34.13%	212.40	16.22%	31.23	2.38%	4.79	0.37%
08	EDIBLE FRUIT AND NUTS	911.08	911.04	1015.07	308.63	30.40%	69.49	6.85%	97.98	9.65%	6.64	0.65%
22	BEVERAGES	821.72	845.91	792.54	25.07	3.16%	429.65	54.21%	12.13	1.53%	10.67	1.35%
04	DAIRY,EGGS,HONEY,ETC	545.19	556.69	513.14	23.90	4.66%	77.33	15.07%	41.07	8.00%	1.64	0.32%
21	MISCELLANEOUS FOOD	357.60	352.40	367.11	87.70	23.89%	105.62	28.77%	9.86	2.69%	46.09	12.55%
16	PREPARED MEAT,FISH,ETC	308.99	307.24	326.35	35.65	10.92%	127.37	39.03%	25.85	7.92%	19.55	5.99%
19	BAKING RELATED	268.53	270.44	300.16	20.96	6.98%	130.14	43.36%	9.27	3.09%	22.41	7.47%
07	VEGETABLES	300.23	249.50	232.63	27.80	11.95%	156.76	67.38%	14.35	6.17%	8.37	3.60%
12	MISC GRAIN,SEED,FRUIT	271.69	221.72	221.08	39.16	17.71%	49.22	22.26%	3.20	1.45%	6.00	2.71%
20	PRESERVED FOOD	192.05	189.81	190.23	67.71	35.60%		0.00%	5.12	2.69%	5.63	2.96%
10	CEREALS	164.69	149.29	138.75	4.87	3.51%	11.63	8.38%	12.11	8.73%	0.27	0.20%
09	SPICES,COFFEE AND TEA	92.51	81.61	68.36	3.71	5.42%	22.98	33.62%	0.23	0.33%	2.75	4.03%
14	OTHER VEGETABLE	26.27	20.90	15.77			8.03	50.91%				

HS Code	Description	France		Germany		Netherlands		Korea, South		United Kingdom	
03	FISH AND SEAFOOD	6.61	0.41%	0.71	0.04%	1.17	0.07%	6.48	0.40%	5.95	0.37%
02	MEAT	23.85	1.82%	33.91	2.59%	37.61	2.87%	0.98	0.07%	17.40	1.33%
08	EDIBLE FRUIT AND NUTS	3.02	0.30%	0.22	0.02%	0.20	0.02%	2.30	0.23%	0.04	0.00%
22	BEVERAGES	189.63	23.93%	2.38	0.30%	20.60	2.60%	25.17	3.18%	34.22	4.32%
04	DAIRY,EGGS,HONEY,ETC	8.64	1.68%	13.56	2.64%	48.89	9.53%	0.79	0.15%	2.29	0.45%
21	MISCELLANEOUS FOOD	14.79	4.03%	2.00	0.54%	7.24	1.97%	4.30	1.17%	9.40	2.56%
16	PREPARED MEAT,FISH,ETC	0.79	0.24%	1.94	0.59%	0.32	0.10%	1.79	0.55%	2.62	0.80%
19	BAKING RELATED	1.04	0.35%		0.00%	8.87	2.95%	11.04	3.68%	10.01	3.33%
07	VEGETABLES	0.79	0.34%	0.07	0.03%	3.97	1.71%	2.40	1.03%	0.60	0.26%
12	MISC GRAIN,SEED,FRUIT	0.08	0.04%	1.34	0.61%	0.44	0.20%	15.64	7.07%	0.02	0.01%
20	PRESERVED FOOD	1.28	0.67%	1.29	0.68%	2.43	1.28%	2.26	1.19%	4.36	2.29%
10	CEREALS			0.01	0.01%		0.00%		0.00%	0.05	0.03%
09	SPICES,COFFEE AND TEA	0.13	0.19%	0.71	1.04%	0.08	0.12%	0.87	1.28%	0.71	1.05%
14	OTHER VEGETABLE				0.00%		0.00%		0.00%	0.07	0.42%

HS Code	Description	India		Vietnam		Brazil		Thailand		Taiwan	
03	FISH AND SEAFOOD	33.52	2.09%	61.69	3.85%	27.50	1.72%	72.37	4.51%	53.10	3.31%
02	MEAT	0.58	0.04%	14.94	1.14%	249.80	19.07%	53.31	4.07%	0.07	0.01%
08	EDIBLE FRUIT AND NUTS	3.07	0.30%	13.81	1.36%	1.06	0.10%	152.37	15.01%	12.43	1.22%
22	BEVERAGES	0.10	0.01%	0.04	0.00%	0.01	0.00%	1.92	0.24%	23.57	2.97%
04	DAIRY,EGGS,HONEY,ETC	0.07	0.01%	8.26	1.61%	0.00	0.00%	5.68	1.11%	4.44	0.86%
21	MISCELLANEOUS FOOD	0.75	0.20%	0.42	0.11%	0.00	0.00%	21.25	5.79%	13.54	3.69%
16	PREPARED MEAT,FISH,ETC	0.21	0.06%	1.12	0.34%	0.00	0.00%	30.05	9.21%	9.31	2.85%
19	BAKING RELATED	0.06	0.02%	1.14	0.38%	0.08	0.03%	13.96	4.65%	9.27	3.09%
07	VEGETABLES	0.40	0.17%	0.19	0.08%	0.04	0.02%	4.73	2.03%	3.18	1.37%
12	MISC GRAIN,SEED,FRUIT	2.29	1.04%	1.39	0.63%	0.14	0.06%	0.74	0.34%	4.20	1.90%
20	PRESERVED FOOD	0.06	0.03%	0.62	0.32%	0.09	0.05%	12.24	6.44%	3.13	1.65%
10	CEREALS	0.06	0.04%	0.27	0.19%	0.00	0.00%	107.67	77.60%	0.04	0.03%
09	SPICES,COFFEE AND TEA	2.02	2.96%	0.45	0.66%	1.70	2.49%	0.34	0.50%	1.60	2.34%
14	OTHER VEGETABLE	0.15	0.93%	0.03	0.21%	0.00	0.00%	0.05	0.31%	0.02	0.15%

HS Code	Description	South Africa		Ireland		Philippines		New Zealand		Canada	
03	FISH AND SEAFOOD	60.22	3.76%	0.28	0.02%	38.52	2.40%	56.95	3.51%	70.86	4.42%
02	MEAT	2.18	0.17%	2.87	0.22%	0.00	0.00%	27.74	1.92%	39.79	3.04%
08	EDIBLE FRUIT AND NUTS	58.54	5.77%	0.00	0.00%	52.48	5.17%	14.89	1.63%	4.61	0.45%
22	BEVERAGES	1.95	0.25%	0.58	0.07%	2.93	0.37%	1.63	0.19%	1.62	0.20%
04	DAIRY,EGGS,HONEY,ETC	0.14	0.03%	54.88	10.70%		0.00%	53.48	9.61%	0.72	0.14%
21	MISCELLANEOUS FOOD	0.02	0.01%	1.15	0.31%	1.73	0.47%	2.23	0.63%	3.34	0.91%
16	PREPARED MEAT,FISH,ETC	7.97	2.44%	1.06	0.32%	0.73	0.22%	13.85	4.51%	2.03	0.62%
19	BAKING RELATED	0.18	0.06%	0.00	0.00%	4.08	1.36%	1.09	0.40%	1.33	0.44%
07	VEGETABLES	0.13	0.06%	0.00	0.00%	0.05	0.02%	5.09	2.04%	0.70	0.30%
12	MISC GRAIN,SEED,FRUIT	0.10	0.05%	0.00	0.00%	0.61	0.27%	0.44	0.20%	86.17	38.98%
20	PRESERVED FOOD	4.80	2.53%	0.00	0.00%	13.29	6.99%	1.03	0.54%	2.57	1.35%
10	CEREALS	0.00	0.00%	0.00	0.00%	0.03	0.02%			0.16	0.11%
09	SPICES,COFFEE AND TEA	0.00	0.00%	0.00	0.00%	0.00	0.01%			0.14	0.20%
14	OTHER VEGETABLE	0.00	0.00%	0.00	0.00%	0.17	1.06%			0.00	0.00%

		Malaysia		Spain		Singapore	
03	FISH AND SEAFOOD	26.04	1.62%	47.85	2.98%	27.77	1.73%
02	MEAT	0.62	0.05%	0.62	0.05%	0.01	0.00%
08	EDIBLE FRUIT AND NUTS	25.41	2.50%	1.57	0.16%	3.79	0.37%
22	BEVERAGES	3.79	0.48%	3.12	0.39%	4.26	0.54%
04	DAIRY,EGGS,HONEY,ETC	17.12	3.34%	0.60	0.12%	39.58	7.71%
21	MISCELLANEOUS FOOD	7.86	2.14%	0.50	0.14%	12.58	3.43%
16	PREPARED MEAT,FISH,ETC	7.34	2.25%	0.91	0.28%		
19	BAKING RELATED	8.60	2.86%	0.72	0.24%	5.21	1.73%
07	VEGETABLES	0.20	0.08%	0.00	0.00%	0.03	0.01%
12	MISC GRAIN,SEED,FRUIT	0.70	0.32%	0.12	0.05%	0.91	0.41%
20	PRESERVED FOOD	3.55	1.86%	0.64	0.34%	3.63	1.91%
10	CEREALS	0.00	0.00%	0.00	0.00%	0.28	0.20%
09	SPICES,COFFEE AND TEA	0.88	1.29%	0.61	0.90%	5.09	7.44%
14	OTHER VEGETABLE	0.00	0.00%	0.00	0.00%	0.08	0.50%

Notes:
1. Million of U.S. Dollars
2. Percentages are share for that segment
3. Percentages may not total 100%
   Not all countries included
4. Source; World Trade Atlas